

Dear Town Meeting Voters:

The Town's proposed budget is tight, but in balance, with little room for error or unexpected financial shortfalls. The Finance Committee considers this proposed budget to be a solid accomplishment in these tough times, and therefore, supports it and recommends approval at Town Meeting. We commend the new Town Administrator and Town Accountant, as well as department heads and the Board of Selectmen for their diligent preparation of a workable budget in the midst of such terrible local, State, and national economic conditions.

At the same time, the Finance Committee calls citizens' attention to several issues described below which have, and will have, enormous financial implications for Wareham in the next few years. Unless the Town begins to address these issues more proactively and aggressively than it has in the past, Wareham will face many years of financial crisis. These issues cannot be kicked down the road any longer.

Much has happened recently and I think that it is appropriate to both look back to see what we thought that we might accomplish and what we actually did achieve.

Legal. Two years ago, there was a great deal of concern about legal expenses. The Finance Committee suggested it would be useful to get better insights into what areas the money seemed to be channeled, the biggest trouble spots. For instance, if not only the absolute amounts of money, but the trends of spending indicated that a particular department or function seemed to be leading the pack, attention probably should be directed in that direction. As an example, legal spending starting from a low base for personnel matters had not only grown in absolute terms, but moved up rapidly as a percentage of the whole. A troubling situation which had been called out to the administration for further examination.

Snow and Ice. Up until last year, we routinely set aside \$82,000.00 a year for snow & ice. Year after year, we routinely paid out (pick a figure) hundreds of thousands of dollars in arrears. We objected to the lack of transparency and the then Interim Town Administrator brought up the amount to the current \$175,000.00 to his credit. We would like to see some sort of formula approach. For instance, Belmont uses a three-year moving average and then "haircuts" that by 20%.

Benefits. We have observed, in the past, that benefits continue to accelerate and now are more than Town wages with no end in sight. There are at least two sides to this. The first, and probably most obvious, is the taxpayer says in effect "no more". The other side is of course, the employee who says quite logically, "hey, I bargained for this. Don't change the rules now." So, you have two sides looking at one another over what amounts to a chasm, each equally sure that he or she is "right." However, right is defined. A little noted fact is that some people are on both sides of the issue at the same time. Town employees who also live here pay taxes. So what is to be done or can anything be done.

Health Insurance. On the health side, rather than tinkering around with co-pays, how about getting to the root cause, going to the doctor at the drop of a hat and that should not be taken as criticism of people going to the doctor, but just an observation. To take this a step further with a startling statistic, at least to this observer, might be in order. A research white paper entitled "Opportunities in the China Health Care Market" was published in December 2008 from Grail Research. They pointed out that in the United States, per capita health care costs in 2006 were about \$6,700.00 per year, but in China, and prepare to be startled, they come in at \$90.00 per person. Now the obvious response,

beyond you have to be kidding, has to be, they must be dropping like flies and to some extent you might be right. But, other factors are at work. There are few hospitals in China. Most medical care comes from clinics, a vestige of the Chinese Army dominance from a prior era. So, you just don't hop in a car to run over to Tobey Hospital. There is no Tobey Hospital. Thus, you ride it through. In addition, speaking about cars, they walk or bike. Obesity is not currently an issue, quite the contrary.

There are no school buses in China. How barbaric. The kids walk or bike to school. In kind of a classic business sense, what you have in China and India is a supply-demand situation. There are few hospitals (supply) and because people, particularly younger people, depend on their own motor skills, they have fewer problems w/ obesity, a major health problem in this country. That covers the demand side. Thus, expenditures have to be lower (and are).

Oh, you say that as they become more affluent, their costs will go up and right you are. They not only will, they are. But, when will they catch us? Not in the next decade one might surmise. If you don't like drawing comparisons with China, in the same report, the U.K. is \$3,300.00 per person.

Why don't we offer really good incentives (not penalties) to our workers? Lower your blood pressure, lose weight, stop going out for a smoke, and your deductible will go down to zero, or something along those lines. Maybe set up monitoring walking to schools (rather common in Europe). The technical term is "get off your duff."

Pensions. Pensions, and particularly, the expected rate of return have troubled us for several years. Our attitude is that our managers (Plymouth County Retirement) insist they will earn in excess of 8% is too optimistic. Their argument is that the earned rate or more for 30 years, so what's the beef? True enough, but what they fail to point out is that the 10% plus that they earned historically, dropped 2% in one year; 2008. One year did them in. To lend some color to this, if the actual rate turns out to be 5%, our pension contribution will go from \$2.5 million a year to \$5.0 million. We would suggest that we fund above our demand rate. Other towns have done this, most notably Arlington where they are almost paid off on prior liabilities and we are out to at least 2028.

WPCF. What else is on our radar screen? Well, we have been very interested in the Water Pollution Control Facility (WPCF) and more particularly, with the now discontinued practice of dipping into the so-called "betterment retained earnings" to balance the budget. Our attitude is that we need a comprehensive and clear portrayal laid out (importantly) year by year for each of the next 12 to 15 years. By portrayal, we mean all the projected dollars coming in measured against all of the dollars going out. We suspect that the issue will turn on betterments and particularly on betterments that are paid "up front", where cash comes in, but that perhaps (please note the qualifier) we have not set money aside as a true "reserve." The new Town Administrator, to his credit, has bought into the concept and agrees that to have a \$6 million business without a clear picture of what the future holds is unacceptable.

Five Year Plan. Our five year plan is still very much in the foreground and we intend to expand it to include capital spending. The fact that three articles in the current Warrant deal with leaking roofs is a clear signal that we have problems that should be addressed before the fact, not afterwards.

Stabilization Fund. Tonight, or at some point in our proceedings, you will be asked to vote on a Stabilization Fund. To both the credit of the Town Administrator and the

Board of Selectmen, they are supporting the concept. We are asking that we start from ground zero by putting in \$100,000.00. We are, by one major measure, the fifth worse entity in the State (out over 350). Look around. Has it helped us?

The usual argument against this strategy goes something like this: “that is a great idea, but not now. We don’t have the money.” With all due respect, this Finance Committee has heard that argument year after year and while we are mindful of the implications, we come back to the reality. Other towns are being provident and while they may be having problems, they still muddle through. We are at the bottom of the heap, literally and figuratively. Going forward, the Town Administrator and the Finance Committee would like to have a “formula” of some sort that would be employed to routinely put money aside.

Interns. Two years ago, I enlisted the help of Bridgewater State College and obtained one intern. To his credit, Alan Slavin carried the concept much further, picking up four or five at a time, primarily from UMASS Dartmouth. What do we gain? Put aside the obvious. The Town is benefiting from having projects moved along that would not normally have a priority.

Schools. Now to a subject that normally is not a topic of discussion, the schools. They loom large in the financial picture, but most people tend to think that financials, as it pertains to schools, are basically a State responsibility, and yes, they are. But, let’s look at a couple of truly current inter-related issues. Should we change our form of government and what should we think as a society of low participations in the election process? I would advance the argument that our schools are not preparing young people to be socially conscious. What would I do? Mandate that in order to graduate, you must put in 100 hours of community service to gain some insights into both what and how the system functions. So, you lose a few hours of American Idol, but if you are helping a child learn to read, what is the balance?

On to another subject. We are also not doing enough in preparing our children for what they will face in the international marketplace. Go back for a moment and reflect on the comments about China, where they have a real “cost” advantage on at least health care. All of their high school kids must take (not should) four years of English. They are preparing on many fronts to compete with us and we sit here, not entirely clueless, but also not doing much. Here’s a question; what are they doing on something near and dear to our hearts, cranberry production? Anything? I don’t know, but should we know and should our young people have more of a conceptual and practical framework to work in? Should Chinese studies be part of our educational scenery?

So, we have made some progress and have some irons in the fire, but we have to keep moving forward. Thus, both for myself and the Finance Committee as a whole, please share your thoughts with us. We welcome them.

Dick Paulsen
Wareham Finance Committee Chairman